

PUBLIC DISCLOSURE

July 5, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MALDEN CITY EMPLOYEES CREDIT UNION

200 PLEASANT STREET
MALDEN, MA 02148

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of MALDEN CITY EMPLOYEES CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The credit union's Composite Rating of "Satisfactory" is based upon three performance criteria including loan-to-share ratio, lending to members of different income levels and Fair Lending. Since the credit union is an industrial credit union performance criteria pertaining to geography were not considered.

The loan-to-share ratio over the time period June 30, 1998 through December 31, 1999 increased from 50.2 percent to 62.9 percent with an average ratio of 56.6 percent. This steady increase indicates a willingness to make credit available to members.

The credit union extended 76.7 percent of its loans to low and moderate-income members. This is considered a good level of lending, particularly in benefiting low and moderate-income borrowers. Therefore the credit union's lending performance under this criteria is considered to meet the standards for satisfactory performance.

The credit union has not received any CRA-related complaints since the previous examination. Finally, fair lending policies and practices were found to be satisfactory.

PERFORMANCE CONTEXT

Description of Institution

The Malden City Employees Credit Union is a state-chartered institution founded in 1943. Membership in the credit union is limited to employees and retirees of the City of Malden and members of their families. The credit union has one office located at the police station at 200 Pleasant Street, Malden, Massachusetts. The hours of operation are Monday, Tuesday, Wednesday and Friday 7:30 a.m. to 4:00 p.m. and Thursday 7:30 to 7:00 p.m. The credit union currently does not offer any Automated Teller Machines.

As of May 31, 2000, the credit union had total assets of \$10.2 million, of which \$5.3 million are in the form of loans. Of these loans, 55.0 percent are comprised of automobile and boat loans, 38.7 percent are personal loans, 5.6 percent are share secured loans, and 0.7 percent are open end loans.

Malden City Employees Credit Union does not offer residential mortgage loans. However, credit union members are referred to Members Mortgage, CUMEX, Constitution Financial Group Inc. and Charter Bank, if they express an interest in obtaining a mortgage. Weekly rate sheets may be obtained at the credit union's office. The credit union often runs special loan promotions at various times throughout the year. Currently, the credit union is offering a "Vacation Loan" for a maximum amount of \$2,500. The annual percentage rate is at 9.9 percent for one year.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks as of January 27, 1998. That examination resulted in a CRA rating of "Satisfactory".

Description of Assessment Area

Under the revised CRA regulations, a credit union whose membership provisions are not based on geography may identify its membership as its assessment area. Malden City Employees Credit Union has elected to identify its membership as its assessment area.

As stated previously membership in the credit union is limited to employees of the City of Malden as well as retirees and members of their families. The employee base of the City, excluding eligible retired employees during the examination period is 1,820. The employee base over the past few years has been fairly stable. The credit union currently has 2,459 members, which includes members' families. There are also 134 members who are retired employees.

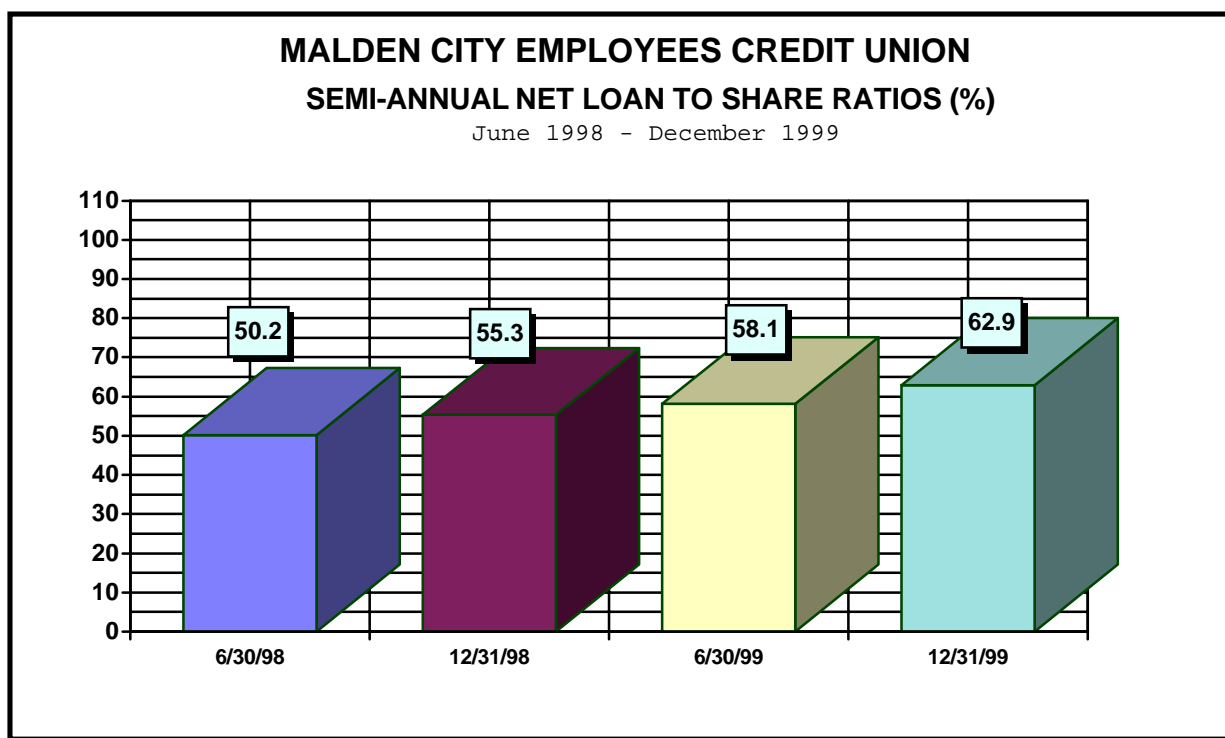
PERFORMANCE CRITERIA

1. LOAN-TO-SHARES ANALYSIS

An analysis of Malden City Employees Credit Union's loan-to-share ratio was performed during the examination. The calculation incorporated the net loan to total share ratios derived from four semi-annual N.C.U.A. 5300 Call Reports. This review included the reports from June 30, 1998 through December 31, 1999.

The institution's average loan-to-share ratio for the period under review was determined to be 56.6 percent. The analysis further revealed that during the period the ratio grew from 50.2 percent as of June 30, 1998 to 62.9 percent as of December 31, 1999. This represents a steady increase over two years.

The following graph is provided for further analysis.



Loan growth has been strong in both 1998 and 1999. A constant marketing push for personal and auto loans has increased originations over the past two years.

The asset size of the institution has increased from \$7.9 million as of December 31, 1997 to \$9.4 million as of December 31, 1999, which represents a 19.0 percent increase. As indicated above, loan growth has outpaced the share growth. During this time, net loans increased approximately 41.6 percent, while shares have increased approximately 23.7 percent.

This trend appears to be continuing for the interim period January 1, 2000 through May 31, 2000. Loans have increased from \$4.8 million to \$5.3 million representing a 10.4 percent increase, while shares have increased from \$7.6 million to \$8.3 million or 9.2

percent increase. This level of performance represents a willingness of the institution to lend to its memberships.

Based on the above information and analysis the credit union's loan-to-share ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

As mentioned previously, under the revised CRA regulation, a credit union whose membership provisions are not based upon geography may delineate its membership as its assessment area. Since Malden City Employees Credit Union has elected to identify its assessment area in this manner, any analysis based upon geography would not be meaningful. Therefore no analysis of loans originated inside and outside of the assessment area was conducted.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The credit union's consumer loans were analyzed to determine the distribution of lending by borrower income level. The members' reported incomes were compared to the median family incomes for the Boston Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1998, 1999 and 2000 HUD information.

MSA	1998-FHI	1999-FHI	2000-FHI
Boston	\$60,000	\$62,700	\$65,500

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income level for the MSA. Upper-income is defined as income equal to or greater than 120 percent of the median family income level for the MSA.

A review of the consumer loan portfolio indicated that the credit union extended 430 consumer loans in 1998, 633 consumer loans in 1999 and 274 consumer loans for year-to-date May 31, 2000. In order to analyze the consumer loans in terms of income of the borrower, a sample of 60 approved loans was reviewed for the period. This sample consisted of 25 loans for 1998, 25 loans for 1999 and 10 loans for 2000.

The following table provides detail on the income levels of the consumer loan sample.

% OF MEDIAN MSA INCOME	1998	1999	2000-YTD	TOTAL

	#	%	#	%	#	%	#	%
<50%	8	32.0	7	28.0	3	30.0	18	30.0
50% - 79%	10	40.0	13	52.0	5	50.0	28	46.7
80% - 119%	6	24.0	5	20.0	2	20.0	13	21.7
120% >	1	4.0	0	0.0	0	0.0	1	1.6
TOTAL	25	100.0	25	100.0	10	100.0	60	100.0

Source: Consumer loan sample data for the period 1/1/98 to 5/31/00.

As indicated in the table above, 30.0 percent of the loans were made to low-income borrowers while 46.7 percent were made to moderate-income borrowers. While the credit union demonstrates a strong penetration among low and moderate-income individuals, it should be noted that consumer loans typically consider only the income of one applicant while the comparison for analysis under this criterion is to median family income. This type of comparison can somewhat inflate low and moderate-income penetration performance levels. Nevertheless, the distribution of lending demonstrates the credit union's willingness to lend to members of all income levels. Based on the above information, the credit union is considered to meet the standards for satisfactory performance in this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As discussed previously, no analysis of geographic performance criteria was conducted since the credit union identifies its assessment area as its membership.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union has adopted its own formal written Community Reinvestment and Fair Lending Policy. Detailed below is the credit union's fair lending performance as it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

STAFF TRAINING

The Malden City Employees Credit Union conducts quarterly fair lending and diversity training for its employees.

STAFF COMPOSITION AND COMPENSATION

The credit union staff consists of three full-time employees and two part-time employees. The credit union does not compensate any of its loan originators on a commission basis, thereby encouraging loans of all amounts including those to low and moderate-income individuals.

OUTREACH

Literature is available to members and potential members through mailings, postings and handouts. The credit union office keeps these materials readily available at all times. The information is also sent to all department heads for posting.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union offers personal unsecured loans, new and used automobile and boat loans, open-end loans, share secured loans and reserve loans.

Credit products and underwriting standards are reviewed on a continual basis to ensure that the credit needs of the membership are met and no member is arbitrarily excluded from qualifying for a loan especially those members of low and moderate-income.

MARKETING

The credit union posts notices in department lobbies, newsletter articles and statements to advertise its credit products. Notices included within statements and paystubs also make credit information available to members of existing and new products.

CREDIT EDUCATION

The credit union does not participate in any credit education programs. However, the credit union refers members to First Time Homebuyer seminars, which are sponsored by the Malden Redevelopment Authority. These seminars are offered in January, March and May.

COUNSELING

Management of the credit union works with individuals with credit problems. They work on consolidating all debt and educating them on their financial situations.

SECOND REVIEW PRACTICES

Prior to denial notification, management reviews all denied loans. The denied loans are then referred to the credit committee, which is made up of three directors.

INTERNAL CONTROL PROCEDURES

The credit union uses the audit committee, which is comprised of three directors, as its primary internal control procedure. The audit committee reviews information on a monthly basis.

The credit union has an outside CPA firm, which reviews the loans once a year. The audit committee also conducts an annual review at this time.

MINORITY APPLICATION FLOW

Since federal and state law prohibit the collection of racial data on consumer loans, determination of the minority application flow was not possible.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

MALDEN CITY EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 5, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.